

The Prudential Insurance Company of America
May 11, 2016

SERFF #s: PRUD-130398021

Policy forms affected: GRP113172, GRP113570, GRP113172 ED 05/2009, and GRP113570 ED 05/2009 (known as Series ILTC-3).

Effective date of rate change: Renewals on and after 4/28/2016.

Prudential is requesting approval to increase the premium on Series ILTC-3 (forms GRP113172, GRP113570, GRP113172 ED 05/2009, and GRP113570 ED 05/2009). The company is requesting different rate increases based upon the inflation option chosen by the policyholder.

Prudential is requesting a 20.8% increase on 1,154 policies with automatic inflation indexing of 3% compound, 4% compound, 5% compound, 5% compound to 2X, or 5% simple. Prudential is requesting no increase on 376 policies without automatic inflation indexing.

A total of 1,530 Pennsylvania policyholders are covered under the ILTC-3 series.

The Department approved a capped 20% increase for all policies. In other words, policyholders that were scheduled to receive increases from 0% to 20% can receive their full increase but those scheduled to receive increases greater than 20% are limited to a maximum increase of 20%.

The current policies in place are not generating sufficient premium to pay future claims to policyholders. This is a common problem for a number of insurers nationwide because policyholders are keeping their policies longer than expected and are living longer than projected. As a result, policyholders are using more benefits on average than the company anticipated when the policies were originally sold. This means the company has to pay out more for benefits than it originally projected.

In making this decision, the Department considered the projected loss ratio for each block of policy forms, that is, the projected total amount of benefits paid out versus the total amount of premium collected, the reasonableness of the assumptions the company used in its projections, and the company's financial situation. The Department also considered the financial impact this rate increase would pose to consumers, the past rate increases policyholders have faced, and the availability of options to limit the rate increase by reducing benefits.

Although the rate increase is significant, the company is offering ways for policyholders to either completely avoid or limit the rate increase by reducing benefits. The company will let you know your options when they contact you directly about this premium increase.

This Rate Filing Decision Summary is a tool to help explain the rate filing and does not describe all the factors considered as part of the Department's rate review.